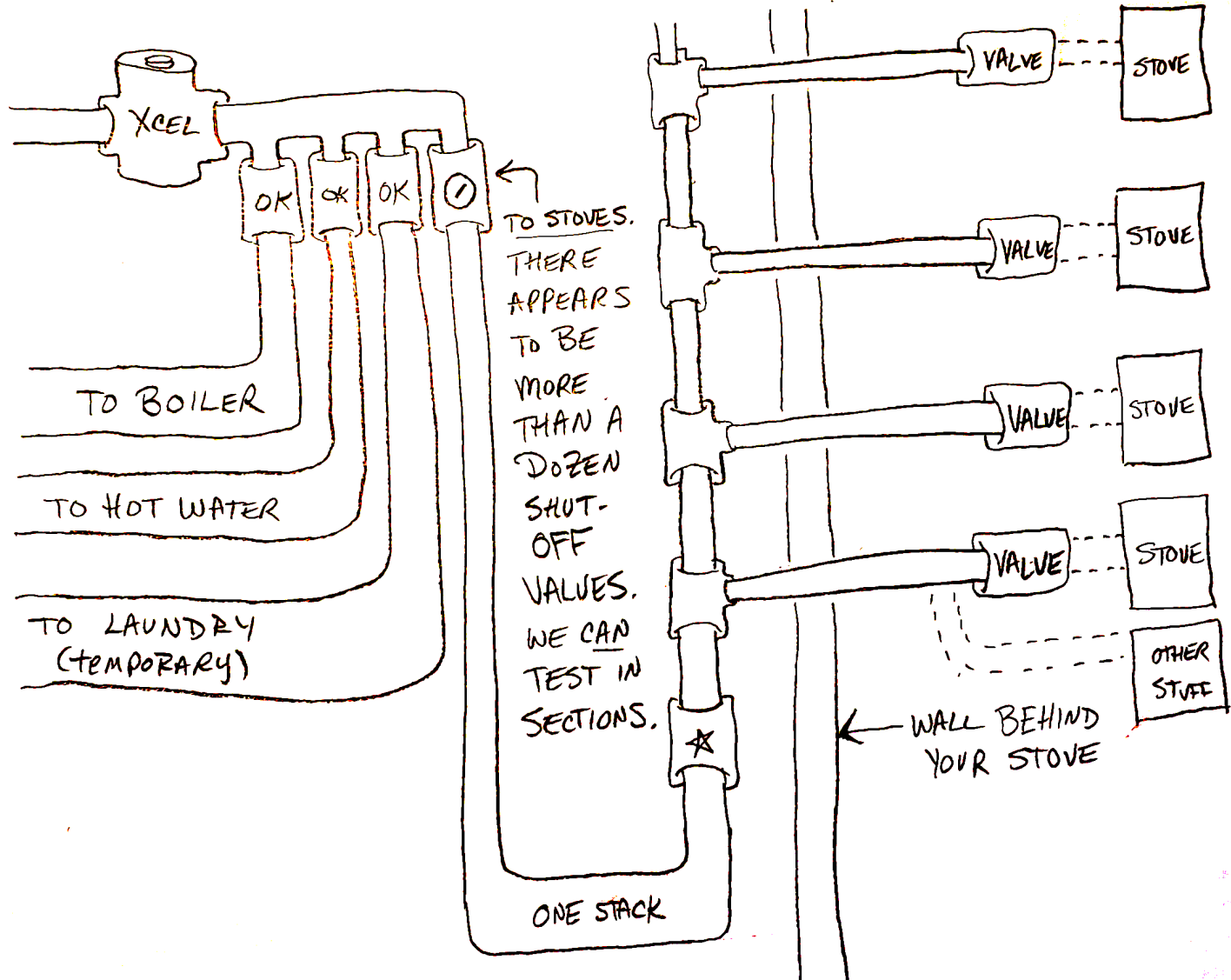


HVAC Update: November 8

- Entire project will come in **on budget**.
- **Asbestos removal** was the biggest part of the project.
- **Boiler** is in the process of final hookups. Unfortunately, they underestimated the time necessary to get our heat going. We're still on track for next week. Read your emails for the latest status.
- **Risers and horizontals** have all been tested and are ready for heat.
- **Drywall and insulation operations** were suspended due to poor workmanship. We are in process of determining a replacement contractor.
- It's gonna be cold this week. We have distributed **space heaters**. There are still a few available.

**Natural Gas Update:
November 8**



TO STOVES.
THERE APPEARS
TO BE
MORE
THAN A
DOZEN
SHUT-
OFF
VALVES.
WE CAN
TEST IN
SECTIONS.

← WALL BEHIND
YOUR STOVE

Understanding the Drawing and the Work Completed So Far:

- Natural gas outage was caused when Xcel's regulator failed
- After their repair, we were able to:
 - restore gas to the boiler
 - restore gas to the hot water heater
 - add a temporary line to the laundry to power three dryers
 - replace main line in the lobby
- All of the valves in all of the stacks have now been accessed and either examined, repaired or replaced
- All of the valves behind the stoves and lazy susans have been examined, repaired or replaced

Understanding the Remaining Work:

- With all the work done so far, the pressure tests have improved, but are still not at acceptable levels for modern testing
- This means there are weaknesses in the system behind the walls in each stack
- To find and repair these weaknesses, drywall and some cabinetry will need to be removed behind most stoves and some walls to examine T-connections
- Yes, this means more asbestos testing and work inside your units
- Unfortunately, there may also be couplings (that's the star on the drawing) anywhere in the stacks we'll have to find

What We're Doing and Costs

- We are working with:
 - Xcel and the City of Denver
 - Four different plumbing companies and an engineer all agree the work we're doing is the only way to complete the project
 - We have met with two mechanical companies to get competitive pricing
 - Your stoves will not be on for Thanksgiving.
 - We will need to test for asbestos in most units prior to completing additional work behind your stoves
- At this moment, we don't have enough information to formulate a budget for the entire project
- At this moment, we don't have a resolution date

Budget 2019

Lanai Condominium Association

This information is temporary ... it is changing daily.

This is the November 8 edition

Expenses We Budget

Area	2018	2019
Admin: Accounting, legal, phones, web, postal, office.	\$31,768	Should be about the same.
Maintenance: HVAC, birds, garage, pool, broken stuff.	\$28,680	Will go up with outside maintenance.
Janitorial: 12 th floor, 1 st floor, stairs, carpeting.	\$18,000	Will go up with increased hours.
Landscaping: Mowing, plants, tree trimming, irrigation.	\$3,720	Will go up with outside maintenance.
Plumbing: Drain cleaning and routine repairs.	\$8,400	Who knows?!
Snow Removal: Parking lots and sidewalks.	\$2,800	Should be about the same.
Elevator: Monthly contract and unusual repairs.	\$6,600	Should be about the same.
Fire and Security: Fire alarms, fob system, cameras.	\$4,200	Should be about the same.
Social: Community gatherings and items needed on 12 th floor.	\$3,000	Should be about the same.
Supplies: Plumbing, janitorial, electrical, grounds.	\$11,940	Will go down with outside maintenance.
Insurance: Building and board liability.	\$45,000	Will go up. It always does.
Payroll: Salaries, insurance, taxes.	\$71,956	Will go down with office manager.
Utilities: TV, electric, gas, storm drain, trash, water, sewer.	\$133,120	Will go down with new boiler.
Special Projects: Any one-time major expenses.	\$0	?? See Discussion Below

Income We Budget

Area	2018	2019
HOA Fees: Mathematically generated.	\$426,855	Will go up to cover inflation and expenses.
Clubhouse Rental: People reserving the party room.	\$1,800	Will go up since it'll be usable again.
Unit Repairs Reimbursed: This isn't income. It repayment.	\$120	Doesn't affect our income.
Banking Interest Income:	\$300	Will be about the same.
Laundry: Money from the washers and dryers.	\$9,000	Should go up when all dryers are working
Pop Machine:	\$720	Will be about the same.
Late Charges: When people don't have it together.	\$120	Should be about the same.
Key Fobs & Garage Door Openers:	\$120	Should be about the same.
Fines & Misc. Income: Rules violations.	\$120	Should be about the same. Read the rules!
Move In/Move Out Fees:	\$3,000	Should be about the same.
Parking Space Rental: From Association Spaces.	\$3,360	Should go up with a more consistent year.
Storage Unit Rental: From Association Spaces.	\$2,880	Will be about the same.
First Floor Apartment: Fees from renting the unit.	\$0	To be determined. See Discussion Below.

Previous Results

Year End	Expenses	Variance to Budget	Cash on Hand
2015	\$341,195.93	-\$26,481.24 (-7.2%)	\$355,938.24
2016	\$398,372.87	+\$756.95 (0.19%)	\$368,994.49
2017	\$379,256.13	+\$3,394.33 (0.9%)	\$583,595.05*
2018 Thru August w/o Special Assessment	\$291,746.95	+\$21,374.95 (7.9%)	\$411,813.33
2018 Projected	\$437,620.43**	+10,765 (2.5%)	
<p>* Included some funds from Special Assessment.</p> <p>** Projected 2018 does not include the sewer line break nor the natural gas outage.</p>			

Reserve Study Recommendations

- We commission Reserve Studies on a regular basis to have an outside agency review our deferred maintenance and account balances
- They make recommendations on how we should spend our money and the amounts of money to keep on hand
- In the next two slides, you'll see items we've completed in the last few years that were listed on previous reserve studies along with items still needing attention

Majors Already (Or Nearly) Done

HVAC/Boiler
Replacement

Pool Heater

Three Motors for A/C

Office Remodel

Apartment Remodel

Restrooms (First Floor)

Repaint Interior

Upgrade Landscaping

Replace Carpets

Lobby Remodel

Replace Laundry Room

Concrete/Asphalt
Parking Upgrades

Fitness Equipment

Exit Signs
Emergency Lighting

Garage Gate Operators

Upgrade Cameras

Upgrade Door System

Stuff We're Going to Do Soon-ish (Costs are Estimated)

Rooftop Gas Line \$2000

Pool/Patio Furniture \$2500

Outdoor Roof Furniture \$2500

Pool Cover \$3250

2nd Floor Entry Awning \$6000

Electrical \$8925

12th Floor Remodel \$52,250

Flooring for 12th Floor \$6900

13th Floor Roof \$11,025

Awning/Gutters West Roof \$30,000

12th Floor Flat Roof \$69,300

Elevator \$350,000

Natural Gas Project ??????

“Reserve” Accounts

Permanent Financing Reserves: One Year’s Income will be about \$450,000. We are building this account now.

Roofing Reserve: Oughta be around \$120,000

Common Area Reserve: Oughta be around \$70,000

Elevator: Oughta be around \$350,000

Power Plant Reserves (gas, electric, water, sewer): \$210,000

The 2016 Reserve Study recommends we keep \$1.2 million in reserves

The Present

- Currently our monthly HOA collections are significantly below the rest of the Denver market
- We are lower because HOA rates were not increased with inflation in the past
- The Denver economy is now being compared to San Francisco, New York, and Seattle as one of the most expensive cities in the nation
- We are not immune to this economic reality as a condominium association
- We've expended a large portion of our cash on hand for unexpected expenses related to the sewer and natural gas

The Future

- We need to replenish funds already spent on the natural gas project and generate additional funds to finish the work
- We need to replenish the funds expended during the sewer catastrophe (insurance only covered a small amount)
- We need to build an elevator reserve
- We need to be realistic about HOA monthly collections in this new economy
- We need to recognize there may be other surprises coming in the future ... this is a wonderful, but older building!

The Plan the Board Will Review on November 15th

- We should raise HOA dues by 30% immediately, however we know this presents a burden on all current owners
- Instead, we will recommend a four-year progressive increase of 10% per year plus inflation. For next year, you'd see a 13.7% increase over last year
- This should generate the funds we need by 2022 and give owners more time make long-term decisions
- Should the economy change, we can always adjust up or down in the future

What You Should Consider

- Please attend the November 15th Board discussion of the proposed 2018 Budget
- Here's a partial list of revised monthly dues you would likely see if the Board votes to approve this plan:

**If Your Monthly
Payment Now Is:**

**Next Year You Would Pay
Approximately**

\$ 273.15

\$ 310.57

\$ 303.81

\$ 345.43

\$ 311.88

\$ 354.60

\$ 450.97

\$ 512.75